Manufacturing Services (South Africa’s *current* perspective)

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Services contribution to BOP

a) Balance of Payments framework:

- Export & import of Services (see next slide)
- Foreign Direct Investment; commercial presence (Related to FATS)
Exports and imports of goods and services should be seen in a larger context (macroeconomic framework):

a) \[ Y = C + I + G + X - M \]

Exports of goods \quad \text{Exports of services} \quad \text{Imports of goods} \quad \text{Imports of services}

b) Current account = Trade Account (Goods) plus Services, income and current transfers.

Note: Exports of services are normally part of the sales of a business whilst imports are normally part of the cost structure, excl labour.

Thus: All aggregates form part of the macroeconomic accounts and should satisfy various economic identifies (only two identities have been shown above).
“BPM6” requirements (Balance of Payments Manual, 6th edition)

12 Main categories (for both exports and imports)

<table>
<thead>
<tr>
<th>Item</th>
<th>Problematic measurement issues</th>
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</thead>
<tbody>
<tr>
<td>1. Manufacturing services on physical inputs (owned by others)</td>
<td>New item</td>
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<td>2. Repairs and maintenance on movable goods</td>
<td>New item</td>
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<td>3. Transportation</td>
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<td>4. Travel</td>
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<td>5. Construction services</td>
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<td>6. Insurance services</td>
<td>Very technical</td>
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<td>7. Financial services</td>
<td></td>
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<td>8. Charges for the use of intellectual property</td>
<td>Have some pertinent questions</td>
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<td>9. Telecommunication, computer and information services</td>
<td>Computer services: problematic</td>
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<td>10. Other business services</td>
<td>See next slide</td>
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<td>11. Personal, cultural and recreational</td>
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<td>12. Government services</td>
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It is envisaged that most of these items will have an estimated value for BPM6-purposes.
Manufacturing services (general)

- Shifted from goods to services to emphasis “change of ownership”

- The manufacturing is undertaken by an entity that does not own the goods and is paid a fee by the owner

- In services orientated economies this change might reduce their trade statistics and improve services account
Differences

Trade in goods

- Goods change ownership
- Source data: Merchandise statistics (SARS) adjusted for BOP = Trade Statistics

Manufacturing services

- Ownership does not change
- Plain t/shirt enters SA @ R100 to be branded
- Leaves SA @ R120
- Manufacturing services value:
  R120 – R100 = R20
The t-shirt of R100 NOT included in customs imports

Sources

- Separate codes for goods coming in for processing
- Surveying industries that are active in processing of goods such as gold industry
- Do not expect a huge value in both imports and exports of services for this item
- Australia’s average exports for manufacturing services from 2008 – 2011, A$ 42 million and zero for the imports
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